

Message Text

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TO AMEMBASSY OTTAWA
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AMEMBASSY NEW DELHI
AMEMBASSY TOKYO
AMEMBASSY SEOUL
AMCONSUL HONG KONG
AMEMBASSY TAIPEI
AMEMBASSY MANILA
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AMEMBASSY JAKARTA
AMEMBASSY CANBERRA

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TAGS: ETRD, XG, XM, XF, NI, XC, XE, AS

SUBJECT: U.S. FOREIGN TRADE REPORT FOR JULY 1978

MONTH OF JULY

THE U.S. MERCHANDISE TRADE DEFICIT EXPANDED IN JULY, AS EXPORTS FELL BACK SOMEWHAT FROM THE RECORD TOTAL IN THE PRECEDING MONTH WHILE IMPORTS CLIMBED SUBSTANTIALY FOLLOWING TWO CONSECUTIVE MONTHLY DECLINES. EXPORTS WERE VALUED AT 11,792 MILLION DOLLARS, 3 PERCENT BELOW THE JUNE LEVEL BUT NEVERTHELESS THE SECOND HIGHEST MONTHLY TOTAL ON RECORD. F.A.S. IMPORTS JUMPED BY 8 PERCENT TO 14,779 MILLION DOLLARS (15,748 MILLION DOLLARS C.I.F.). THE F.A.S. TRADE DEFICIT WAS 2,987 MILLION DOLLARS (3,956 MILLION DOLLARS C.I.F.).

EXPORTS OF MANUFACTURED GOODS AND OTHER NONAGRICULTURAL PRODUCTS WERE MARGINALLY HIGHER THAN IN JUNE. ALTHOUGH REMAINING AT A RELATIVELY HIGH LEVEL, AIRCRAFT DELIVERIES DROPPED BACK AFTER A STRONG JUNE SHOWING. MOTOR VEHICLE EXPORTS ALSO DECLINED. SALES OF COMPUTERS AND OTHER

BUSINESS EQUIPMENT CONTINUED TO RISE, BUT OTHER MACHINERY SHIPMENTS WERE GENERALLY LOWER. AFTER INCREASING STRONGLY IN THE THREE PRECEDING MONTHS FOLLOWING SETTLEMENT OF UNCLASSIFIED

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THE COAL STRIKE, COAL EXPORTS DROPPED. ON THE OTHER HAND, EXPORTS OF CHEMICALS ADVANCED AGAIN, CONTINUING THEIR STRONG UPTREND SINCE THE BEGINNING OF THE YEAR. AGRICULTURAL EXPORTS CONTINUED STRONG, BUT WERE ABOUT 14 PERCENT LOWER THAN THE RECORD LEVELS POSTED IN MAY AND JUNE. SOYBEAN DELIVERIES DROPPED SHARPLY AGAIN AS THE END OF THE CROP YEAR APPROACHED, FOLLOWING A DECLINE IN THE PREVIOUS MONTH FROM THE 1978 PEAK IN MAY. RICE AND CORN SHIPMENTS WERE ALSO LOWER, BUT TOBACCO AND COTTON SALES INCREASED.

THE IMPORT INCREASE IN JULY WAS LED BY A SHARP JUMP IN THE VALUE OF FOREIGN CAR ARRIVALS FROM WEST GERMANY AND OTHER EUROPEAN COUNTRIES. AUTO IMPORTS FROM JAPAN RECEDED BY 9 PERCENT IN QUANTITY AND 7 PERCENT IN VALUE FROM THE JUNE LEVEL. STEEL IMPORTS ALSO INCREASED STRONGLY FROM THE RELATIVELY LOW LEVEL TO WHICH THEY HAD FALLEN IN MAY AND JUNE FOLLOWING THE IMPOSITION OF THE TRIGGER PRICE SYSTEM FOR MONITORING IMPORT PRICES. AFTER DROPPING BY ALMOST 200 MILLION DOLLARS IN THE PREVIOUS MONTH, PURCHASES OF FOOD REBOUNDED BY A LIKE AMOUNT ON THE STRENGTH OF HIGHER SUGAR, COFFEE, AND FISH

IMPORTS. PETROLEUM IMPORTS DECLINED ON A SEASONALLY ADJUSTED BASIS FOR THE SECOND CONSECUTIVE MONTH.

YEAR-TO-DATE

IN JANUARY-JULY, EXPORTS WERE RUNNING AT A SEASONALLY ADJUSTED ANNUAL RATE OF 134 BILLION DOLLARS, 11 PERCENT HIGHER THAN THE 1977 TOTAL. IMPORTS EXPANDED BY 13 PERCENT TO A RATE OF 167.2 BILLION DOLLARS F.A.S. (177.9 BILLION C.I.F.). THE RESULTING F.A.S. TRADE DEFICIT TOTALED 33.2 BILLION DOLLARS (44 BILLION DOLLARS C.I.F.) COMPARED TO 26.5 BILLION DOLLARS IN 1977.

IN THE FIRST SEVEN MONTHS NONAGRICULTURAL EXPORTS WERE UNCLASSIFIED

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9 PERCENT ABOVE THE LEVEL IN THE COMPARABLE PERIOD LAST YEAR. MACHINERY SHIPMENTS, COMPRISING ABOUT ONE-THIRD OF NONFARM EXPORTS, INCREASED, LED BY STRONG SALES OF OIL-DRILLING EQUIPMENT, TRACTORS, AND COMPUTERS. AS SHIPMENTS OF PARTS AND TRUCKS ROSE SUBSTANTIALLY, EXPORTS OF AUTOMOTIVE PRODUCTS ADVANCED, DESPITE A LARGE DROP IN DELIVERIES OF PASSENGER CARS TO CANADA. COAL DELIVERIES,

HOWEVER, REMAINED WELL BELOW THE JANUARY-JULY 1977 LEVEL, LARGELY REFLECTING THE DEPRESSING EFFECT OF THE COAL STRIKE ON SHIPMENTS EARLY IN THE YEAR.

AGRICULTURAL EXPORTS WERE 15 PERCENT ABOVE THE JANUARY-JULY 1977 TOTAL. WHEAT DELIVERIES ROSE VIGOROUSLY IN RESPONSE TO SUPPLY SHORTFALLS ABROAD LAST YEAR. CORN EXPORTS ALSO ADVANCED, MAINLY BECAUSE OF HEAVY SALES TO THE U.S.S.R. STRONG FOREIGN DEMAND STIMULATED A SHARP INCREASE IN THE QUANTITY OF SOYBEAN EXPORTS BUT, BECAUSE THE AVERAGE PRICE DECLINED, THE INCREASE IN VALUE WAS ONLY 5 PERCENT.

ALL OF THE 13 BILLION DOLLAR ADVANCE IN IMPORTS SO FAR THIS YEAR REFLECTED GREATER ARRIVALS OF PRODUCTS OTHER THAN PETROLEUM, SINCE OIL IMPORTS DECLINED BY 2.9 BILLION DOLLARS, SEASONALLY ADJUSTED. ARRIVALS OF FOREIGN AUTOS ADVANCED AT A PACE CONSIDERABLY FASTER THAN DOMESTIC SALES OF THESE CARS, RESULTING IN A SUBSTANTIAL BUILDUP OF INVENTORIES. MACHINERY, EQUIPMENT, AND PARTS IMPORTS WERE ALSO BUOYANT. THESE PURCHASES ROSE SHARPLY NOT ONLY FROM TRADITIONAL SUPPLIERS IN WESTERN EUROPE AND JAPAN, BUT ALSO FROM MEXICO AND CERTAIN FAR EASTERN DEVELOPING COUNTRIES AS WELL. THE LARGE EXPANSION IN STEEL IMPORTS MAINLY REFLECTED UNCLASSIFIED

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THE HEAVY VOLUME ARRIVING EARLY IN THE YEAR IN
ANTICIPATION OF THE PRICE MONITORING PROGRAM.

FOOD IMPORTS WERE MIXED. LARGE DECLINES IN COFFEE AND
SUGAR RECEIPTS WERE MORE THAN OFFSET BY INCREASED
PURCHASES OF MEAT, ALCOHOLIC BEVERAGES, AND OTHER
PRODUCTS. THE 12 PERCENT DECLINE IN PETROLEUM IMPORTS
REFLECTED REDUCED VOLUME, AS INCREASED DOMESTIC PRO-
DUCTION AND A SIZABLE REDUCTION IN INVENTORIES WHICH
WERE BUILT UP LAST YEAR LOWERED REQUIREMENTS FOR FOREIGN
OIL. PETROLEUM IMPORT PRICES IN JANUARY-JULY WERE
VIRTUALLY UNCHANGED FROM LAST YEAR. CHRISTOPHER

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